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THE SECOND BIENNIAL
REPORT OF
THE STATE PURCHASING AGENT
OF THE STATE OF MONTANA
TO
THE GOVERNOR



HELENA, MONTANA
DECEMBER, 1932

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The Capitol, Helena, Montana,
December 9, 1932.

Honorable J. E. Erickson,
Governor of the State of Montana,
Building.

Dear Sir:

I have the honor to present herewith the Second Biennial Report of the
State Purchasing Agent for the period ending June 30th, 1932.

Very truly yours,

J. E. MURPHY,

State Purchasing Agent.



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HISTORY OF DEPARTMENT

The State Purchasing Department was created by Chapter 197 of the 1921 Session Laws and commenced to function on April 1st, 1921. Chapter 66 of the 1923 Session Laws was enacted to further define the duties and powers of the State Purchasing Agent. Mr. J. E. Wood was appointed State Purchasing Agent by Ex-Governor Dixon and served from April 1st, 1921 until April 1st, 1925, at which time I assumed office.

In addition to the above laws, the State Purchasing Agent is governed by Section 256 of the Revised Codes of 1921, relating to the approval of contracts, and by Chapter 17 of the 1925 Session Laws, which pertains to the purchase of equipment.

DUTIES OF STATE PURCHASING AGENT

Under Section 5, Chapter 66, Laws of 1923, to contract for or purchase all equipment and supplies, subject to the approval of the Governor, for the Legislative Assembly and all other offices, departments, boards, commissions and institutions of the State. Since Sept. 10, 1927, equipment and supplies for State Fish & Game Commission have not been purchased by the State Purchasing Agent.

Under Section 4, Chapter 66, Laws of 1923, to sell or otherwise dispose of, subject to the approval of the Governor, all materials, supplies, service, equipment, crops and personal property of every kind, owned by the State but not needed or used by any department of the State Government.

Under Section 1, Chapter 66 of 1923 Laws, to require that all persons in charge of State property furnish a sworn statement of all property under their charge belonging to the State of Montana, together with an estimate of the value thereof. Inventories are filed annually with the State Purchasing Agent.

Under Section 7, Chapter 66, Laws of 1923, to make an examination of the supplies on hand at institutions at the beginning of each quarter.

Under Section 5, Chapter 197, Laws of 1921, to audit all valid claims on account of contracts and purchases negotiated by the State Purchasing Agent. This is a very important function of this office and by this means hundreds of dollars are saved each year. With the system used in this office it is impossible for a duplicate claim to be passed. It is likewise impossible for a claim to be passed which in any way is not in accord with the order, contract or bid under which the purchase was made. But a few days ago we received an approved claim from an institution which called for \$57.60 more than the contract provided. The error was detected when the claim reached this office and the amount reduced accordingly.

SUMMARY OF PURCHASES MADE

Below is shown a summary of the purchases made by this department during the past seven years, from which it will be noted that the amount of purchases per year has increased from approximately \$1,000,000.00 to nearly \$2,000,000.00. The increase in amount of purchases is in connection with the State Highway Commission, as shown in Column 3.

Period	Institutions	Highway Commission	Commission Game Fish and	All Other Departments Boards and Commissions	Yearly Total
1925-1926	\$ 900,435.36	\$ 13,140.22	\$26,774.22	\$134,176.75	\$1,074,526.65
1926-1927	905,605.02	207,930.06	33,522.92	169,611.02	1,316,669.02
1927-1928	860,581.26	308,770.46	9,081.92	166,687.62	1,345,121.26
1928-1929	968,848.10	421,676.30		218,711.50	1,609,235.90
1929-1930	1,006,428.04	736,988.56		186,050.97	1,929,466.57
1930-1931	879,202.80	858,816.61		174,690.88	1,912,710.29
1931-1932	863,357.16	816,409.84		133,131.78	1,812,898.78

CLASSIFICATION OF PURCHASES

Although not required by law, we are classifying the purchases under 160 headings. These classifications are by commodities, such as Road Oil; various Foodstuffs; Printing; Dry Goods and Clothing; Gasoline; Tires; Coal; Hay; Grain, etc. The purchases made for each institution or department are entered daily under their proper heading. Under this system we have an accurate check on the consumption of any commodity by any institution or department; an up to date price record and a means of determining if and when an institution requisitions more than a reasonable quantity. A study of the yearly summary of purchases under these classifications indicates, in the case of supplies, where economies can be effected. Should one institution use too much of any supply item and not enough of another, it is readily apparent. The classification system also enables us to more accurately anticipate the needs of the institutions and when economical to do so, enter into contracts for a yearly period.

PURCHASES COMPARED TO EXPENSE

The following table indicates the average number of requisitions received per year; the average number of purchase orders issued per year; the average amount of yearly purchases; the average yearly expense of this department, etc. It is shown that for the last three years the average expense of this department amounted to a little less than one cent (or less than 1%) per purchase dollar. If this purchase cost per dollar is compared with the large industrial concerns it will show that our cost per purchase dollar is much less than the average. It is interesting to compare this percentage with the percentage of discounts realized through this department as shown on Page. 7.

July 1, 1925 to July 1, 1929

Average Number of Requisitions Received Per Year	6,713
Average Number of Purchase Orders Issued Per Year	13,769
Average Amount of Yearly Purchases	\$1,336,388.18
Average Amount of Yearly Purchasing Dept. Expense	\$ 14,363.80
Average Amount of Cost Per Purchase Dollar	\$.0108
Average Amount of Each Purchase Order	\$ 92.89

July 1, 1929 to July 1, 1932

Average Number of Requisitions Received Per Year	7,199
Average Number of Purchase Orders Issued Per Year	14,347
Average Amount of Yearly Purchases	\$1,885,025.31
Average Amount of Yearly Purchasing Dept. Expense	\$ 18,098.91
Average Amount of Cost Per Purchase Dollar	\$.0097
Average Amount of Each Purchase Order	127.27

It is interesting to note from the above comparisons that while the average yearly purchases increased approximately \$500,000.00, the cost of purchasing expense per purchase dollar has decreased and that the average amount of each order has increased \$34.38. This is conclusive proof of the progress made by this department with respect to volume buying. We are continually working out plans whereby the frequency of orders can be reduced. This of course eliminates clerical detail in our office as well as for the departments and institutions.

DISCOUNTS REALIZED ON CERTAIN PURCHASES**July 1st, 1931 to July 1st, 1932**

The following table covering 17 classifications illustrates to what extent discounts are realized in connection with the purchase of equipment and supplies for the State of Montana through its Purchasing Department.

CLASSIFICATION	Value at Retail Prices	Discount Value	Percentage of Discount	Net Cost to State
*Tires	\$ 51,211.89	\$ 23,045.35	45	\$ 28,166.54
*Tubes	5,182.38	2,591.19	50	2,591.19
†Paint	21,418.90	7,567.56	40	12,851.34
*Automobiles	11,685.29	1,623.40	13.89	10,061.89
†Shoes	14,617.44	7,308.87	50	7,308.87
†Drugs	11,019.50	4,407.72	40	6,611.78
†Anti-Freeze	4,794.93	1,774.12	37	3,020.81
*Batteries	2,668.98	979.51	36.7	1,689.47
*Chains	4,871.23	1,948.49	40	2,922.74
*Typewriters	4,270.17	811.33	19	3,458.84
*Jumps (bulbs)	2,765.97	750.39	27.1	2,015.58
*Photo Engravings	1,426.29	499.20	35	927.09
†Foodstuffs	225,785.24	45,157.04	20	180,628.20
*Road Machinery	90,675.81	20,855.43	23	69,820.38
†Printing	76,948.00	29,237.00	25	57,711.00
†Dry Goods and Clothing	54,992.02	16,498.60	30	38,493.42
*Trucks	85,354.11	9,240.34	10.8	76,113.77
	\$669,688.45	\$174,295.54	Avg. 26.03	\$504,392.91

*Amount of Discount Actual

†Amount of Discount Estimated

In addition to the above, purchases of various other classifications amounted to \$1,308,505.87 which were made at considerable saving to the State.

VOLUME BUYING

In order to make State business attractive to legitimate bidders, it is necessary to buy in large quantities wherever possible. Certain commodities are purchased but once a year and in this way we have a large volume to present on our calls for bids. The result is that bidders can well afford very close profits on the great volume, and though their percentage of profit on each dollar is small, their profit on the whole is remunerative.

CARLOAD PURCHASES

Our carload purchases for the year ending June 30th, 1932, were as follows:

Coal	453	Sugar	2
Road Oil	223	Beans	1
Grain	17	Dried Fruit	1
Lumber	17	Rolled Oats	1
Flour	15	Rice	1
Cement	14	Salt	1
Road Machinery	14	Syrup	1
Grader Blades	9	Trucks	1
Stock Feed	6	Paper	1
Hay	5	Paint	1
Snow Fence	4	Steel	1
Culverts	3	Laundry Soda	1
Canned Goods	2		
			13
	782		782
		TOTAL.....	795

SPECIFICATIONS

We consider the establishing of proper specifications for the various commodities we purchase as the most important function of the office. Without an understanding of specifications it would be impossible to decide who is the lowest and best bidder and also which article is the most valuable for the purpose intended.

As an instance we will state that ordering a carload of flour without any specification would permit any of the lowest grades to be supplied for State use. We use a specification allowing a minimum protein of 12% and a maximum ash content of forty five hundredths of 1% which permits all flour mills in Montana to bid and yet allows the State to purchase a very high grade flour without paying for a trade name.

Another item of interest of which we purchase several thousand yards each year is denim, for making overalls. We specify a denim that is non-shrinkable and 1.95 weight, which means that 1.95 yards must weigh one pound. Most of the denims used in overalls sold on the market are of weights which take 2.2 yards and 2.4 yards to weigh a pound. While the denim we purchase costs but little more than the lighter grades, we are informed by the institutions that it wears twice as long. The advantage of having non-shrinkable material in overalls is that the same party to whom they are issued after they are made up can continue to wear same after they have been laundered. Other denims would shrink to such an extent that the overalls would have to be re-issued to a smaller person.

Our specifications for dressed cow beef for the institutions excludes shells or an inferior grade of meat as the bidders are required to furnish No. 1 Cow Beef with a dressed weight of 500 to 600 pounds per carcass.

I have related but three instances of our specifications to bring out the importance of using proper specifications. Unless the personnel of this office is thoroughly familiar with specifications it would be impossible to make intelligent decisions on bids.

We have the facilities of the State Highway Testing Laboratory, also the College at Bozeman, to make numerous tests for us during the year to insure that material purchased meets the required specifications.

PRINTING AND OFFICE SUPPLIES COSTS

The specifications which we adopted July 1, 1925, and have improved upon since, have been responsible for reductions in printing and office supplies costs for the Legislative, Judicial and Executive Departments at the Capitol as illustrated by the following schedule:

1924-25	\$102,702.40	1928-29	\$ 78,038.60
1925-26	40,536.83	1929-30	42,062.04
1926-27	61,572.92	1930-31	70,586.20
1927-28	47,887.87	1931-32	45,606.23

It is pointed out that the above figures are comparable in periods of alternate years for the reason that the period during which the Legislature meets and all biennial reports are prepared, the cost of printing and office supplies is necessarily greater than during a period between legislative years. As an example, the period 1924-25 should be compared with the periods of 1926-27, 1928-29 and 1930-31.

There will be a substantial saving realized with respect to the printing of House and Senate bills for the 23rd Session as against previous sessions. Under a contract for the year from July 1st, 1932, the cost of printing these bills is materially reduced. The cost of printing bills for the 22nd Session was \$10,877.20. Assuming that the same number and length of bills will be printed for the 23rd Session, the cost will be \$7,820.50, or a saving of \$3,056.70.

BIDS AND AWARDS

While many of our calls for bids carry several items, we do not award on the basis of low bid for all of the items involved. We find that by accepting the low bid on each particular item, the total cost of the supplies listed is considerable less than were we obliged to accept the bid of whoever might be low on the total. In our calls for bids we ask them to quote a separate price on each item they propose to furnish and to indicate if they will accept an order for one or more items. This precludes the "lump sum" bid and aside from the resultant economy of such procedure, it enables us to have a recorded cost on each and every item we purchase. A few bidders restrict their bids by the words "All or None". Rarely do we find that an "All or None" bid makes a lower cost than the individual low bids. While this system makes it necessary for us to issue two or more orders on many calls for bids, it is not done when the institution or department would be handicapped in any way by having more than one delivery made of their order.

INSTITUTIONAL PRODUCTION

Farm and garden production of the state institutions located at Boulder, Warm Springs, Miles City, Twin Bridges, Deer Lodge, Columbia Falls, Galen and Helena, for the year ending June 30, 1932, amounted to \$210,993.24, according to reports submitted by the heads of these institutions to this office,

In addition to such institutional production, it was necessary to purchase supplies of the same nature in the amount of \$64,691.39. A detailed tabulation of the production and purchases appears below, from which it will be notated that the total production was 76 per cent of the total consumption and the purchases made of same commodities amounted to 24 per cent of the consumption.

COMMODITY	Value Produce	Cost of Similar Items Purchased
Hay, all kinds	\$ 26,371.00	\$ 6,010.73
Grain, all kinds	3,753.24	16,271.13
Meats, etc.:		
Beef	4,651.34	18,738.53
Veal	2,099.56	227.85
Pork	17,809.45	
Ham	4,327.60	680.91
Bacon	3,164.23	731.18
Lard	3,261.72	1,050.75
Lamb	225.64	343.58
Mutton	192.16	7,814.52
Poultry, all kinds	4,151.09	940.50
Vegetables, all kinds	27,501.67	5,536.04
Milk, whole	33,816.03	
Cream	11,399.80	
Butter	16,416.46	3,864.80
Skim milk, buttermilk and butter fat	31,542.19	
Eggs	8,854.66	2,480.87
Rabbits	469.00	
Misc. Farm Products	10,986.40	
TOTALS	\$210,993.24	\$64,691.39

Analysis of the above tabulation shows a striking preponderance of the value of certain production against the cost of purchases. The dairy products production amounted to 96 per cent of the total consumption, it being necessary to purchase but 4 per cent of the requirements. Of the total consumption of hams and bacon, 85 per cent was produced at the institutions and 15 per cent purchased. Eighty-one per cent of the hay consumption was produced at the institutions and 15 per cent purchased. The reverse of this condition is pointed out with respect to grain. The institutions produced but about 16 per cent of their requirements of this commodity and it was necessary to purchase 84 per cent.

COMPARISON OF 1929 AND 1932 PRICES

COMMODITY	Lowest Price 7-1-29 to 12-1-29	Lowest Price 7-1-32 to 12-1-32
Flour, per barrel	\$ 6.20	\$ 2.79
Sugar, Beet, per Cwt.	5.98	4.45
Rolled Oats " "	3.44	1.90
Cow Beef " "	15.00	5.24
Ham, Std. 10/12 # per Cwt.	21.50	12.50
Bacon, Std. 8/10 # " "	22.00	11.00
Butter " "	42.00	17.50
Prunes, 60/70 " "	11.625	3.68
Beans, Navy " "	8.01	2.10
Tires, 30x5.00 6-ply Each	11.50	7.52
Blankets, Wool, 4-lb. Each	3.75	2.45

RECOMMENDATIONS

While all institutions, departments, boards and commissions are required to furnish my department a complete inventory of all property once each year, we have insufficient force in our office to verify the inventories or make them of any particular value except for insurance purposes.

I would recommend that this work be done in some department properly organized for such a purpose so it would eliminate any theft of State property and make the department heads responsible for all State property in their hands. It is my opinion that a bond should be furnished so that if any State property is missing, the party in charge of same would have to stand the loss.

At the present time there is no central office at the State Capitol or in any other part of the state which has maps showing the land owned by each institution or copies of deeds to all such State property; nor maps showing the location of buildings, water mains, steam lines, etc.; nor is information compiled showing the construction of all State buildings, the date built, etc.

The University units during the past summer, through the assistance of Professor Plew, Supervising Architect at Bozeman, working in conjunction with my office, compiled very valuable data covering the buildings used by them.

During the past year it was discovered that one of the State institutions owned approximately 20 acres of land that had been used by others, and it was not previously known that the said land belonged to the State of Montana.

REQUEST FOR APPROPRIATION

In line of economy we have this year asked for a budget which is 10% under that requested for the bi-ennium in which we are now operating notwithstanding the fact that telephone, telegraph and such expense has not materially decreased and that postage, stamped envelopes, etc, which is considerable, have increased during that period.

During the past bi-ennium the appropriation for this department has been made up of:

25% from Millage Fund
25% from Highway Fund *
50% from General Fund

CONCLUSION

In closing this report I wish to thank the heads of all institutions, boards, departments and commissions who have co-operated with us. I also wish to especially make known my appreciation of the valuable assistance given this department by the laboratories of the State Highway Commission, Montana State College and Montana Experiment Station.

